

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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INFO AMEMBASSY VIENNA

C O N F I D E N T I A L USNATO 0966

E.O. 11652: GDS, 12-31-80

TAGS: PARM, AFIN, NATO, US

SUBJECT: MBFR AD HOC FACILITY VIENNA BUDGET

VIENNA FOR USDEL MBFR

REF: A. STATE 212694

B. USNATO 0011

C. MAG/BUD-M(73)1 (REVISED) (BEING POUCHED SEPARATELY)

SUMMARY: AD HOC ADMINISTRATIVE GROUP FEBRUARY 15 REVIEWED REVISED BUDGET ESTIMATES FOR VIENNA FACILITY AND, SUBJECT TO US RESERVATION, APPROVED BUDGET OF 13,844,770 AS (\$692,238) FOR 15-MONTH PERIOD ENDING DECEMBER 31, 1974, NOT INCLUDING POSSIBLE SUPPLEMENTAL REQUIREMENT. ACTION REQUIRED: INSTRUCTIONS REQUESTED BY COB FEBRUARY 26. END SUMMARY.

1. CURRENT BUDGET PROPOSALS FOR MBFR AHG FACILITY REFLECT NUMEROUS REDUCTIONS PROPOSED OR SUPPORTED BY U.S., BUT REMAIN SIGNIFICANTLY HIGHER THAN INITIAL ROUGH ESTIMATES (REF B) AND HIGHER THAN LEVEL OF 18,000,000 BF (\$450,000) WHICH WAS APPROVED BY DEPARTMENT (REF A) BECAUSE OF FOLLOWING FACTORS (NOTE: CONVERSION RATES USED FOR COMPARISON-ONE DOLLAR EQUALS CONFIDENTIAL

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40 BF OR 20 AS):

A. VIRTUAL FULL-FUNDING OF AHG FACILITY BUDGET THROUGH SPECIAL AHG FORMULA, WHEREAS OUR INITIAL ESTIMATE CONTEMPLATED

THE INPUTATION OF SOME 2.6 MILLION BF (\$65,000) SALARY COSTS, PLUS CERTAIN OTHER COSTS, TO THE NATO CIVIL AND MILITARY BUDGETS; IN FACT, ONLY ABOUT 0.6 MILLION BF (\$15,000) ARE BEING SO IMPUTED. (NOTE: US QUOTA PERCENTAGE OF 20 PERCENT IN AHG BUDGET IS LESS THAT IT IS IN ANY OTHER BUDGET SACEI; HENCE, THIS CONSIDERATION IS FAVORABLE TO THE US IN THE BROADER VIEW).

B. LEGAL COSTS, TAXES AND COMMISSIONS RELATED TO RENTAL CONTRACT, 868,000 AS (\$43,400). MISSION HAS SOME DOUBTS AS TO WHETHER THESE CHARGES ARE NORMAL OR REASONABLE AND HAS REQUESTED VIEWS OF EMBASSY VIENNA ON WHETHER OUR DOUBTS ARE WELL-FOUNDED OR WHETHER WE CAN DO ANYTHING ABOUT IT.

C. FACT THAT REIMBURSEMENTS, AMOUNTING TO ABOUT 2.4 MILLION AS (\$120,000) TO AHG BUDGET FOR EXPENSES INCURRED BY DELEGATIONS, ETC. WILL NOT BE CREDITED TO AHG BUDGET UNTIL 1975 (IN ACCORDANCE WITH NATO REGULATION WHICH STATES REIMBURSEMENTS WILL BE ENTERED AS SUBSEQUENT YEAR CREDITS).

D. CURRENT BUDGET INCLUDES PROVISION OF 239,111 AS (\$11,955) TO COVER COSTS INCURRED IN PREPARATORY WORK FOR THE PERIOD FEBRUARY-SEPTEMBER 1973 (SUCH AS RENTAL OF VEHICLE AND TWO HOTEL ROOMS FOR OFFICE SPACE). THESE COSTS WERE PAID DIRECTLY FROM NATO TREASURY ACCOUNTS AND HAVE NOT AAS YET BEEN INCLUDED AS PART OF ANY APPROVED BUDGET. THIS BUDGET ALSO INCLUDES PROVISION OF FUNDS TO COVER TRAVEL COSTS OF 474,725 AS (\$23,736) AND PERSONNEL COSTS OF 310,620 AS (\$15,531) INCURRED IN OPERATION OF FACILITY OCTOBER-DECEMBER 1973, NOT INCLUDED IN "EARLIER ESTIMATE". OTHER COSTS THROUGHOUT THE BUDGET (E.G., RENTAL) ARE COMPUTED FOR THE 15-MONTH PERIOD.

2. A. IN SUMMARY, THE DEVELOPMENT OF THE REQUESTED AMOUNT FROM THE EARLIER APPROVED ESTIMATE IS APPROXIMATELY AS FOLLOWS:

18,000,000 BF (\$450,000) EARLIER ESTIMATE

2,000,000 BF (\$ 50,000) NOT IMPUTED TO MIL AND CIV BUDGETS AS
EXPECTED

4,800,000 BF (\$120,000) TO BE REIMBURSED BY DELEGATIONS, ETC. AS
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CREDITS ON 1975 ACCOUNTS AND HENCE
NOT A REAL COST AGAINST AHG BUDGET

1,025,000 BF (25,600) PERSONNEL AND TRAVEL COSTS INCURRED IN 1973
NOT INCLUDED IN EARLIER ESTIMATE

1,865,540 BF (\$ 46,638) NET INCREASE IN CURRENT ESTIMATES OF
OPERATING COSTS OVER EARLIES ESTIMATE

(13,844,770 AS) 27,689,540 BF (\$692,238) CURRENT BUDGET PROPOSAL,
EXCLUDING SUPPLEMENTAL
PROVISION

B. ABOVE FIGURES DO NOT INCLUDE SUPPLEMENTAL ESTIMATES, WHICH WERE "NOTED" BY ADMINISTRATIVE GROUP. CURRENT ESTIMATE OF SUPPLEMENTAL

REQUIREMENT, WHICH IS EXPECTED TO BE SUBJECT OF LATER REQUEST ABOUT SEPTEMBER, IS 650,000 AS (\$32,500) AND CONSISTS OF 300,000 AS (\$15,000) TO COVER INCREASED COSTS AND 350,000 AS (\$17,500) FOR HIGHER SALARIES EXPECTED TO RESULT FROM 1974 GENERAL SALARY REVIEW. THIS WOULD BRING TOTAL REQUIREMENT FOR PERIOD ENDING DECEMBER 1974 TO 14,494,770 AS (\$724,738). US REQUIREMENT AT 20 PERCENT WOULD BE 2,898,954 AS (\$144,947).

3. COMMENT. MISSION HAS CONSISTENTLY TAKEN POSITION THAT VIENNA FACILITY SHOULD BE SET UP AT MINIMUM FUNCTIONAL LEVEL, IN VIEW OF TEMPORARY NATURE OF MBFR NEGOTIATIONS. WE BELIEVE IT IS POSSIBLE SECRETARIAT COULD HAVE EFFECTED GREATER SAVINGS IN PROCESS OF ACQUIRING PREMISES, AND ARE QUESTIONING COSTS RELATING TO RENTAL CONTRACT, ALTHOUGH IT IS CLEAR THESE COSTS ARE NOW COMMITTED. NEVERTHELESS, WE RECOGNIZE THAT THE OPERATION WAS SET UP UNDER SEVERE TIME CONSTRAINTS AND POLITICAL PRESSURES, AND WITH THE POSSIBLE EXCEPTION OF TWO ITEMS WHICH WE ARE CONTINUING TO QUESTION, NAMELY THE SECOND B.3 SECRETARY POSITION AND THE NEED FOR A CENTRAL SWITCHBOARD, WE BELIEVE THE CURRENT BUDGET LEVEL REFLECTS REALISTIC REQUIREMENT. END COMMENT.

4. ACTION REQUIRED: THEREFORE, MISSION RECOMMENDS THAT THE DEPARTMENT AUTHORIZE THE LIFTING OF THE US RESERVATION. INSTRUCTIONS REQUESTED BY COB FEBRUARY 26.
RUMSFELD

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